



Office of
Employment and Training

Kentucky

UNEMPLOYMENT INSURANCE EMPLOYER GUIDE

2007

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AS LEGAL AUTHORITY



UNEMPLOYMENT INSURANCE TELEPHONE DIRECTORY

CENTRAL OFFICE (ALL NUMBERS ARE AREA CODE 502)

TAX STATUS AND ACCOUNTING BRANCH P.O. Box 948, Frankfort, Kentucky 40602-0948

Application for Unemployment Insurance Account	564-2272
Notice of Subjectivity	564-2272
Change of Ownership or Discontinuance of Business (Form UI-21)	564-2272
Quarterly Unemployment Wage and Tax Report (Form UI-3)	564-2168
Electronic Tax and Wage Reporting	564-2168
Unemployment Tax Rates (Form UI-29)	564-2168
Unemployment Tax Refunds and Adjustments	564-2168

TAX AUDIT AND ENFORCEMENT BRANCH 275 E. Main Street 2E, Frankfort, Kentucky 40621

Delinquent Tax Payments for Unemployment Tax	564-6835
Bankruptcy	564-6835
Protesting Tax Determinations	564-6835

BENEFITS BRANCH 275 E. Main Street 2E, Frankfort, Kentucky 40621

Employer's Notice of Initial Claim (Form UI-412A)	564-3243
Notice of Potential Benefit Charges (Form UI-412)	564-3243
Statement of Charges to Employer Reserve (Form UI-448-SM)	564-3243
Request for Wage Information (Form UI-500B)	564-4761
Benefit Overpayments	564-2387

TECHNICAL SERVICES BRANCH 275 E. Main Street 2E, Frankfort, Kentucky 40621

Quality Control Information	564-5057
Electronic Mass Claim Filing	564-2369

APPEALS BRANCH 275 E. Main Street 2E, Frankfort, Kentucky 40621

Referee Hearings	564-3925
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UNEMPLOYMENT INSURANCE COMMISSION 275 E. Main Street, 2W, Frankfort, Kentucky 40621

Appeals to Commission	564-4849
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SEE LOCAL OFFICE AND FIELD AUDIT DIRECTORY AT BACK OF GUIDE

INTRODUCTION

The primary mission of the Kentucky Office of Employment and Training (OET) is to help individuals prepare for, secure and maintain employment; to assist you in locating qualified workers for your job openings; and to provide income maintenance to ease the financial burden of workers who are unemployed through no fault of their own.

To accomplish its goals, OET offers a broad range of services. These services are available at the central office in Frankfort or the 28 field offices located across the state. In addition, full or part-time branch offices are located in most other counties.

OET has been providing services since the passage of the Wagner-Peyser and Social Security Acts in 1933 and the Unemployment Insurance Act of 1935. With the enactment of the Workforce Investment Act (WIA) of 1998, One-Stop Comprehensive Centers have been established on a statewide basis. OET provides several of the core services required by the Act to establish the centers.

Unemployment Insurance (UI) provides short-term financial support to people when they are unemployed through no fault of their own. You, the employer, pay for this support through unemployment taxes on your payroll. What do you get in return? Directly, UI can help you keep valuable trained workers in your area until you are able to rehire them. But the indirect returns are even more important. Every dollar you pay in state unemployment tax is used to pay benefits, and those benefit dollars are spent to purchase goods and services. Your taxes are recycled back into your local economy, which helps families and businesses alike overcome the effect of hard times.

UI is a joint federal-state program. Federal unemployment law places many requirements on the states concerning who must be covered and how benefits must be financed. The Kentucky General Assembly has enacted these and other laws, which govern the payment of unemployment taxes and benefits in this state. OET's role is to see that these laws are carried out fully and fairly.

Whether you need to hire one or one thousand, OET can help make job seekers aware of your needs. OET has the largest, most diverse database of individuals seeking employment in the Commonwealth, and through our affiliation with the U.S. Department of Labor and its network of state employment security agencies, OET offers access to the largest pool of potential workers in the nation.

OET also has access to the best, most recent labor supply and demand data available. We can provide civilian labor force estimates, unemployment rates by county, affirmative action statistics, industry unemployment estimates, and average weekly wages.

For this and other information and assistance, contact your nearest OET field office, or go to the OET web site on the Internet at **www.oet.ky.gov**.

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UNEMPLOYMENT TAX

LIABILITY

ARE YOU LIABLE FOR UNEMPLOYMENT INSURANCE?

If you pay someone for services in your business or to provide domestic help in your home, you may be liable to pay unemployment insurance tax. The requirements for liability vary for different types of employment:

FOR-PROFIT BUSINESS (other than agriculture) - You will be liable if you pay at least \$1,500 in gross wages in a single calendar quarter or if you have at least one worker performing service in each of 20 weeks out of a calendar year. (It does not have to be the same workers in each week, nor do the weeks have to be consecutive.)

AGRICULTURAL EMPLOYERS - You will be liable if you pay at least \$20,000 in gross wages in a single calendar quarter or if you have at least ten workers performing service in each of 20 weeks out of a calendar year. (They do not have to be the same 10 workers in each week, nor do the weeks have to be consecutive.)

DOMESTIC EMPLOYERS (work performed in a private home, including baby-sitting or care for the elderly or sick). You will be liable if you pay at least \$1,000 in gross wages in a single calendar quarter.

ACQUISITION OF ALL OR PART OF AN EXISTING BUSINESS (which is already liable for unemployment insurance). Generally, you will be automatically liable as a **SUCCESSOR** employer. See the section on "Successorship" for more information.

501(C)(3) NOT-FOR-PROFIT ORGANIZATION - You will be liable if you employ at least four workers in each of 20 weeks out of a calendar year. (They do not have to be the same four workers in each week, nor do the weeks have to be consecutive.)

STATE OR LOCAL GOVERNMENT EMPLOYER - You are liable for any employment excluding elected officials and certain other exclusions. Contact the Tax Status and Accounting Branch at the number listed in the front of this book for more information.

FEDERAL AND OUT-OF-STATE LIABILITY - If you are liable in another state or liable for federal unemployment tax, you are automatically liable for any employment in Kentucky.

PREVIOUS LIABILITY IN KENTUCKY - If you did not sell your former business or otherwise terminate your account, you are automatically liable upon resuming employment.

ARE ALL TYPES OF EMPLOYMENT AND SERVICES COVERED FOR UNEMPLOYMENT INSURANCE PURPOSES?

Most employment is covered and must be reported for unemployment insurance purposes, but there are exceptions. Following are some of the types of employment, both covered and uncovered, about which we are most often asked.

Examples of COVERED EMPLOYMENT:

Both FULL-TIME and PART TIME employment is covered. TEMPORARY or SEASONAL employment is also covered. Even if the worker knows that a job is temporary, the work is covered unless it is otherwise excluded (see below).

If CORPORATE OFFICERS receive a salary, their service is covered. This includes officers of Subchapter S corporations and members of Limited Liability Companies (LLCs) that have elected to be treated as corporations for federal tax purposes. (Officers of corporations may qualify for benefits if they become unemployed through no fault of their own.)

Examples of NON-COVERED EMPLOYMENT:

FAMILY MEMBERS: In PROPRIETORSHIPS, service performed by the spouse, parent or child (below the age of 21) of the proprietor is non-covered. In PARTNERSHIPS, service is non-covered if the worker is a spouse, parent or child (below the age of 21) of EACH PARTNER (example, the parent of one partner and the spouse of another.) There are no family exceptions for CORPORATIONS.

CO-OP STUDENTS are exempt (non-covered) as long as they are enrolled in school and are receiving academic credit for the work performed. A co-op student who continues to work between school terms will be COVERED during those periods.

INSURANCE SALESPeOPLE and **REAL ESTATE AGENTS** are exempt if they are paid solely by commission.

CHURCH EMPLOYEES are exempt. However, independent businesses conducted on church property (such as day-care centers) may be covered if not a part of the church ministry.

Employees age 18 or younger who distribute **NEWSPAPERS** and **SHOPPING GUIDES** are exempt.

Payment for **CASUAL LABOR** not in the normal course of business (example, mowing grass or washing windows on business property) is non-covered if the payments are less than \$50 in a calendar quarter and the same person works in less than 24 days in a calendar quarter.

Certain other exclusions apply in schools, hospitals, not-for-profit and government employment. Contact the Tax Status and Accounting Branch if you have any questions regarding the coverage of a particular type of employment.

WHAT IF I USE INDEPENDENT CONTRACTORS (CONTRACT LABOR) AND ISSUE 1099s FOR SERVICE INSTEAD OF HIRING EMPLOYEES?

Independent contractors are self-employed and employers do not have to report them for unemployment insurance purposes. However, there are specific requirements that an employee has to meet to be considered an independent contractor and **many covered employees are misclassified as independent contractors!** The division determines whether an individual worker is an employee or an independent contractor based on “common law” rules. For example, we may classify a worker as an independent contractor if:

He is in business for himself and offers services to the public (ordinarily, advertises services in some fashion).

He provides services that are not in the normal line of business for the client for whom the services are provided.

He possesses a special skill or ability, and may require special tools which he provides, or if he performs services without additional training and supervision.

He usually provides services for a limited time (a single job) and is paid for by the job rather than by the hour, etc.

These are general examples. Before the division can make a formal determination of a worker’s status, we must review his particular relationship to the business for which he performs service.

By law, a worker cannot contract away his rights to unemployment benefits. Therefore, the division may determine a worker to be an employee even if he has willingly entered into a contract to work as an independent contractor.

The division makes determinations of covered employment subject to Kentucky unemployment insurance law. Determinations by other agencies are not binding on the division. SAFE HARBOR” exemptions DO NOT necessarily apply to determinations made by the division.

WHAT IF I USE LEASED EMPLOYEES OR TEMPORARY EMPLOYMENT SERVICES TO STAFF MY BUSINESS?

Under Kentucky unemployment insurance law, a worker cannot be carried on the payroll and reported by a business other than the one for which he performs services. This means workers obtained from EMPLOYEE LEASING companies must be reported by the business where the workers perform their services, NOT by the leasing company.

Workers obtained from a TEMPORARY EMPLOYMENT SERVICE to fill in for absent employees, or to carry out a special project or function, are considered the employees of the temporary service and are not reportable by the business for which the services are provided. However, if the worker obtained from the temporary service performs a regular, routine job for an unspecified period of time, the business for which the service is performed may be liable for reporting and paying tax on that worker. If you expect to use temporary employees, contact the Tax Status and Accounting Branch for a ruling on your liability for those workers.

IF I HAVE EMPLOYEES WORKING IN MORE THAN ONE STATE, HOW DO I DETERMINE WHERE TO REPORT THEM?

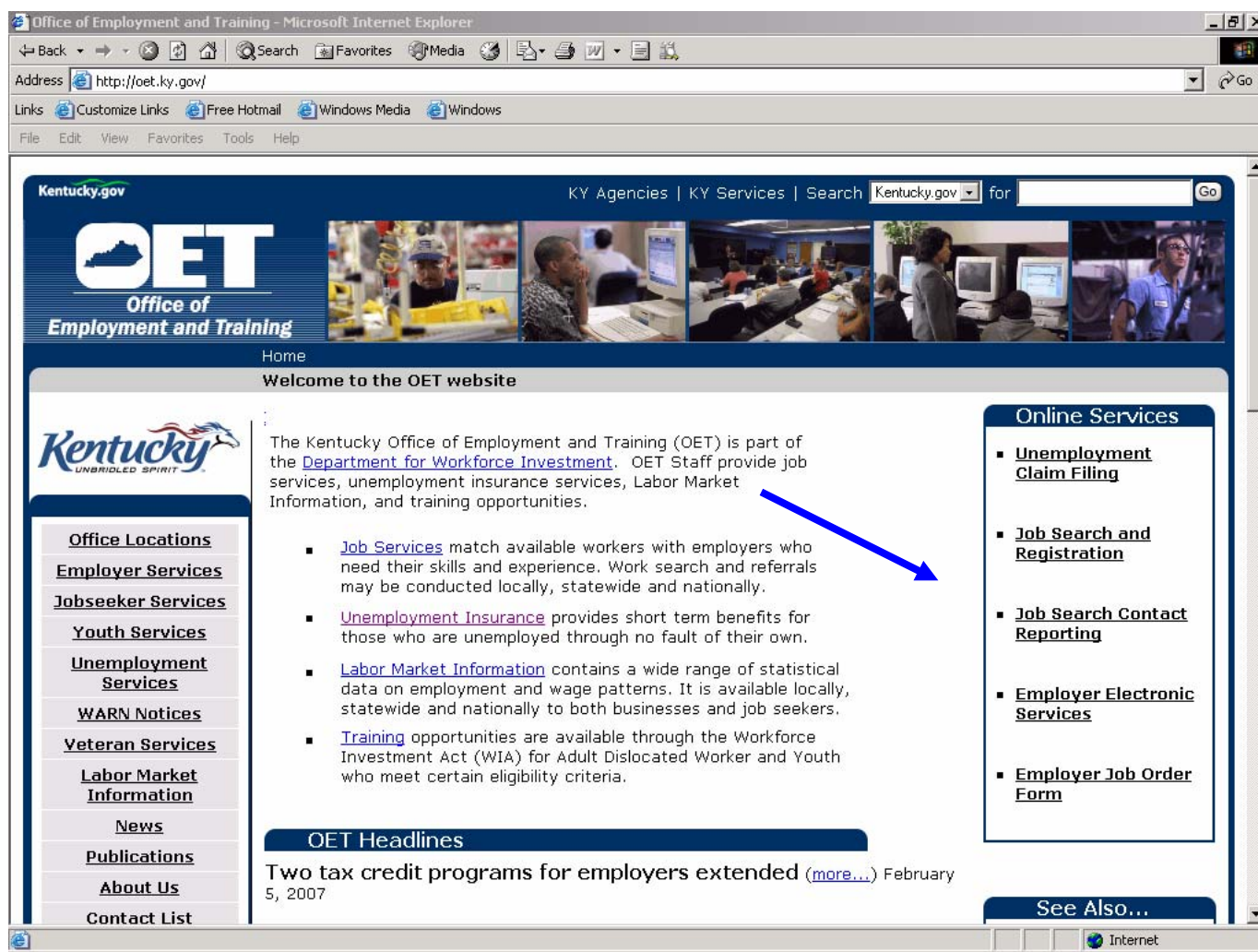
A worker is ordinarily reported to the state in which he performs his work. If a worker performs services on a regular basis for the same business in more than one state, the law allows the employer to report all service to the state in which the business is located (or the state where the worker is controlled), provided some service is performed in that state. However, if nearly all of a worker's service for an extended period of time is performed in a single state other than the state where the business is located, you may become liable in the state where the majority of the work was performed. Contact the unemployment tax office in each state where work will be performed to verify the reporting requirements for your type of work.

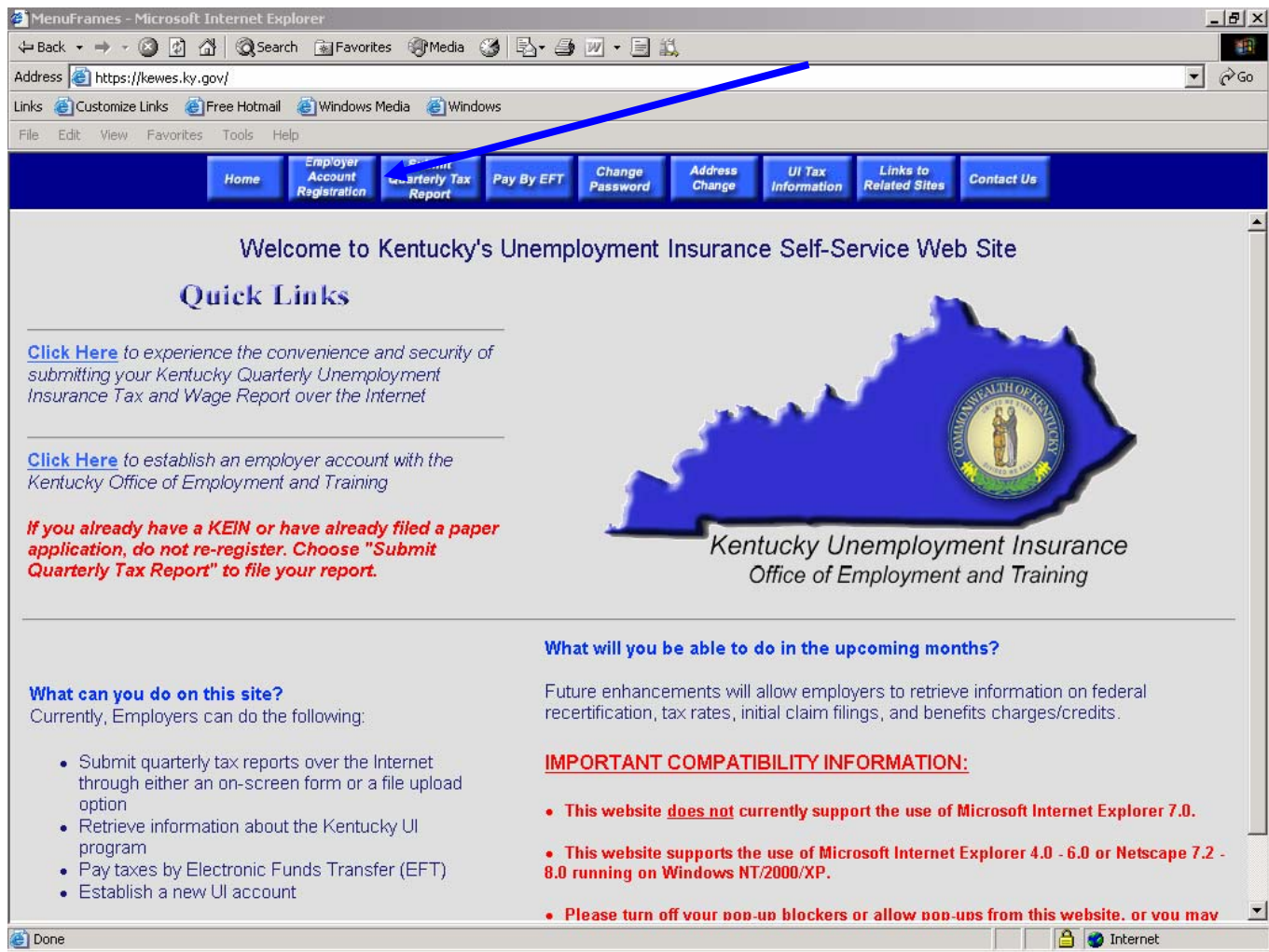
REPORTING REQUIREMENTS

HOW DO I APPLY FOR AN UNEMPLOYMENT INSURANCE NUMBER?

First, do **not** apply until you have met one of the liability requirements listed on Page 1. Once you have met one of the requirements, you should apply as soon as possible. (If you need proof of compliance with the unemployment law prior to beginning employment, contact the Tax Status and Accounting Branch at the address in the front of this guide.)

If you are a new business, agricultural or domestic employer, or are applying to reopen an inactive account, you can apply online at **www.oet.ky.gov**. Select the “Employer Electronic Services” option and then click on “Employer Account Registration” at the top of the screen:





You can also apply by filing form **UI-1** “Application for Unemployment Insurance Employer Reserve Account” (see example on the next two pages). If you purchased an existing business (see “Successorship” section), or are a non-profit or governmental employer, you **must** use this form. You can download the UI-1 from the “Employer Account Registration” website above, or you can request it from the Tax Status and Accounting Branch at the address listed in the front of this guide. Complete the sections of the form that apply to your type of employment and mail it to the address above.

Regardless of how you make the application, if you are liable for unemployment insurance tax, you will receive a “Notice of Subjectivity” by return mail assigning you a Kentucky Employer Identification Number (KEIN). This is the number of your RESERVE ACCOUNT that you will use for reporting and paying unemployment tax and should not be confused with any other numbers issued by the IRS or Kentucky Department of Revenue. Your notice will give your SUBJECTIVITY DATE, which is the date from which you must begin to report wages and pay tax. This will be the date on which you began employment, or the first day of the year in which you became liable, whichever is later. The notice will also include your tax rate and will advise you of when your first tax report and payment will be due.

COMMONWEALTH OF KENTUCKY
Division of Unemployment Insurance
P. O. Box 948
Frankfort, Kentucky 40602-0948
(502) 564-2272 FAX (502) 564-5442

APPLICATION FOR UNEMPLOYMENT INSURANCE
EMPLOYER RESERVE ACCOUNT

UI-1 (R. 3/05)

PART I - IDENTIFICATION AND TYPE OF EMPLOYMENT: To be completed by all employers

1. Business Name & Mailing Address:
Legal Entity Name _____
Business Name _____
Address _____
Address _____
Address _____
City _____ State _____ Zip Code _____
2. Telephone Number: (____) _____
Fax Number: (____) _____
E-Mail: _____
3. Federal Employer Identification Number: _____
4. If you have previously been assigned a Kentucky Employer Identification Number by this Division, enter it here: _____
5. Check type of employment and complete the remainder of the form as indicated:
☐ New Business Employer - Parts II and III
☐ Domestic Employer - Parts II and IV
☐ Agricultural Employer - Parts II and V
☐ Acquired all or part of an existing business - Parts II and VI
☐ New 501(c)(3) Non-Profit Employer - Part I Only*
☐ Governmental Entity - Part I Only*
* Form UI-1S will be sent to you upon return of this form.
☐ Resumed Employment - Part II
Enter Date Employment Resumed _____

PART II - GENERAL INFORMATION

6. Describe MAJOR Business Activity IN KENTUCKY (BE SPECIFIC)
(a) ☐ Retail Trade (Product) _____
(b) ☐ Service (Type) _____
(c) ☐ Construction (Type) _____
 ☐ Residential ☐ Non-residential
(d) ☐ Information/Publishing/Broadcasting/Internet
(e) ☐ Finance/Insurance/Real Estate (Product)
(f) ☐ Transportation/Communication/Utilities (Type) _____
(g) ☐ Agricultural (Type) _____
(h) ☐ Wholesale Trade (Product) _____
(i) ☐ Manufacturing (Product) _____
(j) ☐ Mining (Product) _____
(k) ☐ Other (Explain) _____
7. Is this establishment primarily engaged in performing services for other units or locations for this company? ☐ YES ☐ NO
If "YES", indicate the nature of activity of this establishment:
(a) ☐ Central Administrative Office
(b) ☐ Research, development or testing
(c) ☐ Storage (warehouse)
(d) ☐ Other (specify) _____
8. Identification of Owner, Partners (General or Limited), Corporate Officers, Members, etc. (Attach additional sheet if necessary)

SOCIAL SECURITY #	FIRST NAME	M.I.	LAST NAME	TITLE	TELEPHONE #	RESIDENCE ADDRESS

- 8a. Does this business share substantially common ownership, management or control (including common parent company) with any business currently or previously operating in Kentucky? ☐ Yes. If yes, provide name, address and Kentucky Employer ID Number (if known) below. ☐ No

9. Name, Mailing Address and Telephone Number of person with payroll records (if different from above):

10. Type of Organization: ☐ Sole Proprietorship ☐ Partnership ☐ Corporation ☐ LLC* ☐ Other

* LLCs only: Have you elected treatment as an S-corporation for federal tax purposes? ☐ YES ☐ NO

11. Provide the following information for each establishment or location in Kentucky:

Physical Location of Business in Kentucky (Street, City, Zip Code) If none, provide the worksite or home address of employee in Kentucky. An account cannot be established unless work is performed in Kentucky.

County No. of Workers

☐ Check here if you wish to file a separate wage and tax report for each location.

12. Prior to beginning employment in Kentucky, were you subject in the current or preceding year under the unemployment compensation law of any other state? ☐ YES ☐ NO If "YES", what State: _____

PART III - NEW BUSINESS EMPLOYMENT (Do not include agricultural or domestic employment.) (INCLUDE CORPORATE OFFICERS.)

13. Do you have a quarterly payroll of at least \$1,500.00? ☐ YES ☐ NO
If "YES" in what month and year did this first occur? Month _____ Year _____
14. Do you employ at least one worker in 20 different calendar weeks during a calendar year? ☐ YES ☐ NO
If "YES" in what month and year did the 20th week occur? Month _____ Year _____
- If you answered "NO" to both #13 and #14, stop here. File this form only when you meet one of these requirements. If "YES" to either, proceed.
15. Date on which you first employed a worker in Kentucky (month, day, year): _____
16. Date you first paid wages in Kentucky (month, day, year): _____

Signature: I hereby affirm that I am authorized to sign this report on behalf of the indicated employer, and further affirm that the information provided herein is complete and accurate to the best of my knowledge. I understand that I may be subject to the full penalty of the law for knowingly making a false statement. (KRS 341.990)

SIGNATURE

TITLE

DATE

KentuckyUnbridledSpirit.com



An Equal Opportunity Employer M/F/D

PART IV - DOMESTIC (HOUSEHOLD) EMPLOYMENT (see below if on a farm*)

17. Do you have a **quarterly** domestic (household) payroll of at least \$1,000.00? ☐ YES ☐ NO
 If yes, in what month and year did this first occur? Month _____ Year _____

If you answered "NO" to #17, stop here. File this form only when you meet this requirement. If you answered "YES," proceed.

18. Date on which you first employed a worker in domestic employment in Kentucky (month, day, year): _____
 19. Date on which you first paid wages in domestic employment in Kentucky (month, day, year): _____

* Domestic employment on a farm is included in agricultural employment if you are liable as an agricultural employer. See Part V below to determine if you are covered.

PART V - AGRICULTURAL EMPLOYMENT (INCLUDE CORPORATE OFFICERS and HOUSEHOLD EMPLOYMENT ON THE FARM)

20. Do you have a **quarterly** agricultural payroll of at least \$20,000.00; or, do you employ at least 10 agricultural workers in 20 different weeks during a calendar year? ☐ YES ☐ NO
 If yes, in what month and year did this first occur? Month _____ Year _____

If you answered "NO" to #20, stop here. File this form only when you meet one of these requirements. If "YES" to either, proceed.

21. Date on which you first employed a worker in agricultural employment in Kentucky (month, day, year): _____
 22. Date on which you first paid wages in agricultural employment in Kentucky (month, day, year): _____

PART VI - ACQUISITION OF EXISTING BUSINESS - To be completed by the transferring party, and signed by both the transferring and acquiring parties.**23. ENTER DATE OF TRANSFER AND STATUS OF OWNERSHIP PRIOR TO TRANSFER**

DATE OF TRANSFER _____		EMPLOYER NO. _____	FEDERAL NO. _____
Names of Owner/s or Officer/s	Phone () _____	TYPE OF OWNERSHIP	REASON FOR CHANGE
		Proprietorship <input type="checkbox"/>	Sold..... <input type="checkbox"/> Leased..... <input type="checkbox"/>
		Partnership <input type="checkbox"/>	Lease Reverted..... <input type="checkbox"/> Other (Explain)..... <input type="checkbox"/>
		Corporation <input type="checkbox"/>	
		LLC <input type="checkbox"/>	
		Other (Explain) <input type="checkbox"/>	
Trade or Business Name & Address		TYPE OF CHANGE	
		Transferred in Entirety (ALL KY OPERATIONS)... <input type="checkbox"/>	
		(Skip to #26 - Both Parties Must Sign)	
		Transferred in Part..... <input type="checkbox"/>	
		(Complete #24, 25 & 26 - Both Parties Must Sign)	

24. TRANSFERS IN PART ONLY - ENTER EMPLOYMENT DATA FOR TRANSFERRED PORTION & % OF RESERVE ACCOUNT TO BE TRANSFERRED

Predecessor's date of first employment for transferred portion: _____

FOR REGULAR BUSINESS EMPLOYMENT: Did the transferred portion have \$1500 in quarterly payroll or at least one worker in twenty calendar weeks in either the year of the transfer or in the preceding calendar year?

YES ☐ NO ☐

FOR AGRICULTURAL EMPLOYMENT: Did the transferred portion have \$20,000 in quarterly payroll or at least ten workers in twenty calendar weeks in either the year of the transfer or in the preceding calendar year?

YES ☐ NO ☐

Portion of prior owner/operator's reserve account to be transferred: _____ %

Percentage of reserve transferred must be based on payroll or number of employees transferred. Please indicate which basis has been used:

Transferred Payroll ÷ Total Payroll = _____ % (or)
 Transferred Employees ÷ Total Employees = _____ %

25. ENTER OWNERSHIP DATA FOR RETAINED PORTION (if different from #23 or if predecessor remains in business after transferring 100 percent of reserve)

FEDERAL NO. _____		Agency Use Only	
Name, Address & S.S. # of Owner/s or Officer/s	TYPE OF OWNERSHIP	TRADE OR BUSINESS NAME, ADDRESS & ZIP CODE	
	Proprietorship <input type="checkbox"/>		
	Partnership <input type="checkbox"/>		
	Corporation <input type="checkbox"/>		
	LLC <input type="checkbox"/>		
	Other (Explain) <input type="checkbox"/>		
Location of Business in Kentucky (Street, City, Zip Code)		Phone () _____	Principal Activity
			Principal Product

26. BOTH PARTIES MUST SIGN FORM

Signature & Title of Transferor or
 Disposing Employer Shown in Part 1
 (Owner or Officer)

Signature & Title of Transferee or
 Acquiring Employer Shown in Part 2
 (Owner or Officer)

Date

DO I NEED MORE THAN ONE ACCOUNT NUMBER AND TAX RATE IF I OPERATE MORE THAN ONE TYPE OF BUSINESS OR BUSINESS LOCATION?

You will only need one KEIN if the legal ownership of the businesses is the same, for instance, if all businesses are owned by the same proprietor or corporation. However, if it would be more convenient for you, you may file separate tax reports for each location. You can request this when you file your UI-1 application, or you may contact the Tax Status and Accounting Branch any time after that to arrange for multiple filing. The division will assign you a single tax rate that will apply to all of your businesses and locations.

WHAT TYPE OF BUSINESS RECORDS DO I HAVE TO MAINTAIN?

Generally, the division requires that you be able to provide only routine payroll records. These include the beginning and ending date of each pay period and the total amount of wages paid for covered employment in each pay period. These records must also contain each worker's name and social security number, total wages paid to each worker during the pay period, total wages paid to each worker during the calendar quarter, and the date on which each worker was hired and terminated from covered employment. You should retain these records for at least six years.

In addition, you must retain weekly records on each employee showing the amount of wages earned, the number of hours worked, the number of hours of additional work available that was not accepted, and the rate of pay for such additional work. You are required by law to retain these records for two years.

You are required by law to make these records available for inspection by division auditors upon request. Whenever possible, our auditors will arrange to examine your records at your place of business (or where the records are usually kept) at a time convenient for you. All information you provide to the division is strictly CONFIDENTIAL under state and federal law.

HOW DO I PAY MY UNEMPLOYMENT TAX?

When you become liable, you will be required to file a report for each calendar quarter on which you list your employees and their wages and compute and pay tax based on your payroll.

Employers who have ten or more employees must to file electronically. Employers with under ten employees may also file electronically if they choose to do so. You can access the format specifications through our web site at <https://kewes.ky.gov>. See the next section for more details.

If you choose to file on paper, you will complete a form called a UI-3, "Employer Quarterly Unemployment Wage and Tax Report."

Keep top portion for your records

1.	Enter total gross wages from line 1 on reverse (enter here and on line 1 of the report).....	
2.	Enter excess wages (over \$8,000 per worker per year) for this quarter. Line 2 can never exceed line 1. (enter here and on line 2 of the report).....	
3.	Subtract line 2 from line 1 (enter here and on line 3 of the report).....	
4.	Multiply line 3 by your tax rate of _____ % (____). This is the only portion of your payment which is reportable to the IRS on your 940 Federal Unemployment Tax Return (enter here and on line 4 of the report).....	
5.	Multiply line 3 by the Service Capacity Upgrade Fund (SCUF) rate of .075% (.00075) (enter here and on line 5 of the report). This only applies to years (1999, 2000 & 2001).	
5a.	Add line 4 and line 5 (enter here only)	
6.	If this report will be postmarked after the due date of _____, multiply line 5a by 1.5% (.015) Interest for each month or fraction of a month past due (enter here and on line 6 of the report).....	+
7.	If this report will be postmarked after the due date of _____, include penalty as follows: \$25 mailed on or after _____ \$75 mailed on or after _____ Add an additional \$100 if another report has been late this calendar year (enter here and on line 7 of the report).....	+
8.	Add prior amount due or subtract overpayment.....	
9.	Total amount due (add lines 4, 5, 6 and 7, and add or subtract line 8) (enter here and on line 9 of the report).....	

 If there has been a change in the status of your account, complete below, cut to separate from worksheet, and return.

KEIN	Name													
<input type="checkbox"/> Request for cancellation (date business closed) _____														
<input type="checkbox"/> Request for inactive status (date of last employment) _____														
<input type="checkbox"/> Change location address to: _____ Street _____ City _____ State _____ ZIP code _____														
<input type="checkbox"/> Change mailing address to: _____ Street _____ City _____ State _____ ZIP code _____														
<input type="checkbox"/> Change of business name Name change only <input type="checkbox"/> Change in ownership - Complete Form UI-21, Report of Change Ownership or Discontinuance of Business in Whole or Part, which will be mailed to you upon receipt of this form. Form UI-21 can also be obtained by Fax from Fax-on-Demand at (502) 564-4444 or Tax Status and Accounting at (502) 564-2272. Types of Ownership Changes Requiring Form UI-21: <table style="width: 100%; font-size: small;"> <tr> <td>Individual to Partnership</td> <td>Partnership to Corporation</td> <td>Corporation to Corporation</td> </tr> <tr> <td>Individual to Corporation</td> <td>Partnership to Partnership</td> <td>Corporation to LLC or LLP</td> </tr> <tr> <td>Individual to Individual</td> <td>Partnership to Individual</td> <td>Corporation to Partnership</td> </tr> <tr> <td>Individual to LLC or LLP</td> <td>Partnership to LLC or LLP</td> <td>Corporation to Individual</td> </tr> </table> <p>The statements indicated are hereby certified to be correct to the best knowledge and belief of the undersigned who is duly authorized to sign this report.</p> <div style="display: flex; justify-content: space-between;"> <div> Signature _____ </div> <div> Date _____ </div> </div>			Individual to Partnership	Partnership to Corporation	Corporation to Corporation	Individual to Corporation	Partnership to Partnership	Corporation to LLC or LLP	Individual to Individual	Partnership to Individual	Corporation to Partnership	Individual to LLC or LLP	Partnership to LLC or LLP	Corporation to Individual
Individual to Partnership	Partnership to Corporation	Corporation to Corporation												
Individual to Corporation	Partnership to Partnership	Corporation to LLC or LLP												
Individual to Individual	Partnership to Individual	Corporation to Partnership												
Individual to LLC or LLP	Partnership to LLC or LLP	Corporation to Individual												

U1-3

KEIN	Rate
FEIN	
Qtr/Yr	
Due Date	

Rate	1ST Mo.
.....groups
....	2ND Mo.

	3RD Mo.

[illegible]

1. Gross Wages
2. Excess Wages
3. Taxable Wages
4. Tax Due
5. SCUF Due
6. Interest Due
7. Penalty Due
8. Prior Amount Due *or* Overpayment
9. Total Amount Due

Dollars Cents

UI39913

**Division of Unemployment Insurance
P.O. Box 2003
Frankfort, KY 40602-2003**



UI-3 (R. 5/1999)

The UI-3 includes instructions that you should read carefully before you complete the report. The sections below cover the most common questions and problems encountered in wage and tax reporting.

MAY I FILE MY REPORT BY INTERNET?

Yes, in fact this is the preferred method for quarterly tax filing because it saves processing time and cost for both you and OET. It's safe and it's easy, and as noted in the preceding section, it is required for employers with ten or more workers.

You will find the Kentucky Unemployment Insurance Self-Service Web Site at <https://kewes.ky.gov>, which is a secure site.

The screenshot shows the homepage of the Kentucky Unemployment Insurance Self-Service Web Site. At the top is a blue navigation bar with white text links: Home, Employer Account Registration, Submit Quarterly Tax Report, Pay By EFT, Change Password, Address Change, UI Tax Information, Links to Related Sites, and Contact Us. Below the navigation bar is a grey header area with the text "Welcome to Kentucky's Unemployment Insurance Self-Service Web Site" and a "Quick Links" section. The "Quick Links" section contains three links: "Click Here to experience the convenience and security of submitting your Kentucky Quarterly Unemployment Insurance Tax and Wage Report over the Internet", "Click Here to establish an employer account with the Kentucky Office of Employment and Training", and "If you already have a KEIN or have already filed a paper application, do not re-register. Choose 'Submit Quarterly Tax Report' to file your report." To the right of the "Quick Links" section is a large blue map of Kentucky with the Kentucky State Seal in the center. Below the map is the text "Kentucky Unemployment Insurance Office of Employment and Training". Below the header area is a white content area with two columns. The left column is titled "What can you do on this site?" and lists four items: "Submit quarterly tax reports over the Internet through either an on-screen form or a file upload option", "Retrieve information about the Kentucky UI program", "Pay taxes by Electronic Funds Transfer (EFT)", and "Establish a new UI account". The right column is titled "What will you be able to do in the upcoming months?" and lists two items: "Future enhancements will allow employers to retrieve information on federal recertification, tax rates, initial claim filings, and benefits charges/credits." Below the right column is a section titled "IMPORTANT COMPATIBILITY INFORMATION:" which lists two items: "This website supports the use of Microsoft Internet Explorer 4.0 or Netscape 7.2 or newer versions of these browsers running on Windows NT/2000/XP." and "Please turn off your pop-up blockers or allow pop-ups from this website, or you may not be able to file your reports."

Home Employer Account Registration Submit Quarterly Tax Report Pay By EFT Change Password Address Change UI Tax Information Links to Related Sites Contact Us

Welcome to Kentucky's Unemployment Insurance Self-Service Web Site

Quick Links

[Click Here](#) to experience the convenience and security of submitting your Kentucky Quarterly Unemployment Insurance Tax and Wage Report over the Internet

[Click Here](#) to establish an employer account with the Kentucky Office of Employment and Training

If you already have a KEIN or have already filed a paper application, do not re-register. Choose "Submit Quarterly Tax Report" to file your report.

Kentucky Unemployment Insurance
Office of Employment and Training

What can you do on this site?
Currently, Employers can do the following:

- Submit quarterly tax reports over the Internet through either an on-screen form or a file upload option
- Retrieve information about the Kentucky UI program
- Pay taxes by Electronic Funds Transfer (EFT)
- Establish a new UI account

What will you be able to do in the upcoming months?
Future enhancements will allow employers to retrieve information on federal recertification, tax rates, initial claim filings, and benefits charges/credits.

IMPORTANT COMPATIBILITY INFORMATION:

- **This website supports the use of Microsoft Internet Explorer 4.0 or Netscape 7.2 or newer versions of these browsers running on Windows NT/2000/XP.**
- **Please turn off your pop-up blockers or allow pop-ups from this website, or you may not be able to file your reports.**

In order to file your report via our web site you will first need your pre-assigned password (PIN), which is mailed to every new employer at the time the UI account is established. If you are already an established employer and do not know your password, you can obtain it by contacting our Help Desk at (502) 564-7979, or by e-mail to des.uit@ky.gov. Once you have accessed the web site for the first time you will have the opportunity to change your password.

Home	Submit Quarterly Tax Report	UI Tax Information	Change Password	Pay By EFT	Links to Related Sites	Contact Us
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Account Login

KEIN :	<input type="text"/>	Enter the 8 or 9 digit Kentucky Employer Identification Number shown on your report without spaces. KEIN examples
Password :	<input type="password"/>	Enter the 8 character code (mailed to you separately).

KEIN & Password are case sensitive

☐ Remember my KEIN

[Forget your password?](#)

Kentucky Unemployment Insurance Employer Self-Service

Once you log into the secure portion of the site, you will choose which method of electronic filing you prefer. Employers who wish to prepare formatted files for upload will choose Option 1. Those preferring to complete the report on-line will choose Option 2. (Option 3 is for large payroll processors only.) More information about these options is available on the site.

Home	Submit Quarterly Tax Report	UI Tax Information	Change Password	Pay By EFT	Links to Related Sites	Contact Us
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Submit Quarterly Tax Report

Employers may select from three different methods to submit their quarterly tax and wage reports over the Internet.

<h3 style="text-align: center;">Option 1 - File Upload</h3> <p>Option 1 is for employers who create reports using the ICESA format and wish to upload their file. This includes filers wishing to submit files containing multiple employers or multiple quarters.</p>	<p>To upload your tax report from an existing file</p> <p><input type="button" value="Upload From File"/></p>
<h3 style="text-align: center;">Option 2 - On-line Form</h3> <p>Option 2 is for employers who wish to create (using the on-line form) and submit a report for a specific quarter. This method is not recommended for employers with over 50 employees.</p>	<p>To open our online form please enter the quarter and year for which you would like to submit.</p> <p>Quarter: <input type="text" value="1"/> Year: <input type="text" value="2001"/></p> <p><input type="button" value="Go to Online Form"/></p>
<h3 style="text-align: center;">Option 3 - Payroll Processors</h3> <p>Option 3 is for use only at the direction of the Department for Employment Services by payroll processing businesses. Please contact the Unemployment Insurance Division if you need more information about this option.</p>	<p>To upload a report from a payroll processor</p> <p><input type="button" value="Upload Processor File"/></p>

Questions? Contact us at 502-564-9289 or email us at wfdeskeweshelpdesk@mail.state.ky.us

Kentucky Unemployment Insurance Employer Self-Service

If you prepare your report on-line (Option 2), the system will automatically provide the names and social security numbers of the employees reported in the preceding quarter. You can add new employees to the file., and you can indicate those employees no longer working for you (simply leave the wages blank). If you enter the gross and excess wages for each worker, the on-line filing system will complete the rest of the report for you.

Home	Submit Quarterly Tax Report	UI Tax Information	Change Password	Pay By EFT	Links to Related Sites	Contact Us
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Online UI-3 Tax And Wage Report

Please complete all fields of the form below. **If you exit before completing the report submittal, your data will not be saved.** [Tax Help](#)

Employer Name :

KEIN : <input style="width: 100%;" type="text"/> FEIN : <input style="width: 100%;" type="text"/>	Quarter : 1 Year : 2001 Tax Rate : 0 %	Number of Employees 1st Month : <input style="width: 50%;" type="text"/> 2nd Month : <input style="width: 50%;" type="text"/> 3rd Month : <input style="width: 50%;" type="text"/>
--	--	---

Employees reported as of your most recent wage and tax report submittal are shown below. Please enter the reported quarter's gross and excess wage amounts for each employee. Add employees if necessary. Employees entered with no wages will not be submitted with the report.

After all wage data is entered, please click here. Continue

Note: Only the first five letters of the last names are shown below. The system only requires a 9-digit SSN, a first initial, and the first five letters of the last name. A * Indicates data submitted previously containing a mismatched SSN and last name. Please verify correct SSN and last name to facilitate processing. [What are Excess Wages?](#)

Social Security No.	1st Initial	Last Name	Gross Wages	Excess Wages
*		EARLY		
*		CHRIS		
*		ADKIN		
*		PERRY		
*		HEABE		
*		MCCAL		
*		SLONE		
*		BURTO		

Add Employees

Online UI-3 Tax And Wage Report

EMPLOYER NAME :

KEIN : FEIN :	Number of Employees : 1st Month : 2 2nd Month : 2 3rd Month : 2	Quarter/Year : 1 / 2001 Rate : 0 %
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Gross Wages :	\$19000.00		SSN	1st Init	Last Name	Gross Wages	Excess Wages
Excess Wages :	\$3000.00			W	EARLY	9000.00	1000.00
Taxable Wages :	\$16000.00			M	CHRIS	10000.00	2000.00
Tax Due :	\$0.00						
SCUF Due :	\$0.00						
Prior Amnt : (Due/Overpayment)	\$0.00						
Total Due :	\$0.00						

If payment is required, it may be made by Electronic Funds Transfer (EFT) or by check. To pay by EFT, click on the link on the menu above. You will be notified by mail if you owe a penalty and interest associated with a late submittal.

When paying by check, please write your KEIN on the check and include the tax form sent to you with the payment. **DO NOT WRITE ANYTHING ON THE FORM.** Mail the check and tax form to :

Division of Unemployment Insurance
PO Box 2003
Frankfort, KY 40601-2003

(Click "Submit Report" button to submit the report or click "Back to Wage" if you wish to make corrections.)

Submit Report
Back To Wage Data

If you file your report electronically you can also pay by Electronic Fund Transfer (EFT) by registering with a private clearinghouse **Your banking information will not be shared with the division.** You will find more information about the EFT option on our web site. You may also pay by regular remittance (check). If you select this method, return your UI-3 form or payment coupon with your payment. Remember, if you have already submitted your report information electronically, **DO NOT COMPLETE THE UI-3 FORM!**

WHAT ARE GROSS WAGES FOR UNEMPLOYMENT REPORTING PURPOSES?

A wage is any payment made for services performed. This includes salaries, commissions and bonuses. It also includes the cash value of any payment in manners other than cash, unless paid in agricultural or domestic employment. Gross wages are reportable prior to any deductions or withholdings for other taxes or employee benefits. There are certain exclusions, which follow:

TRAVEL REIMBURSEMENTS are not wages as long as they do not exceed the actual out-of-pocket cost of the worker. Any excesses over actual expenses are wages.

The cash value of ROOM AND BOARD is not a wage if furnished on the employer's property and for a legitimate business reason.

SICK PAY is ordinarily wages, HOWEVER it is **not** considered wages if the payment is received under a **workers' compensation law**, or if the payment is made more than six (6) calendar months after the last calendar month of employment.

TIPS are wages only to the extent that they are reported by the worker to the employer in accordance with section 6053 (a) of the Internal Revenue Code.

RETIREMENT BENEFITS – Payments made by an employer to, or on behalf of, a worker are not wages if paid under a plan that applies to all workers or to all of a class of workers.

Payments made by an agricultural or domestic employer on behalf of a worker for tax required under section 3101 of the Internal Revenue Code are not wages.

TERMINATION or SEVERANCE PAY is not a wage if it is paid under a plan that applies to all workers or to all of a class of workers.

Payments made by an employer into a 401(K), CAFETERIA or DEFERRED COMPENSATION plan are wages for unemployment insurance purposes.

Use of a COMPANY CAR is considered a wage to the extent reported to the IRS.

Many exemptions allowed under other tax laws are not applicable to unemployment insurance. Therefore, if you make some payment not covered above, contact the Tax Status and Accounting Branch to determine whether it should be reported as wages.

DO I PAY TAX ON ALL GROSS WAGES?

No, you only pay unemployment insurance taxes on the first **\$8000** earned by each worker in a calendar year. The amount over this taxable wage limit is called **EXCESS WAGES**. You must report each worker's entire gross wages each quarter. However, you may deduct the excess wages on line 2 of the UI-3 so that you compute your tax only on the taxable amount. (If you file on-line you will enter excess wages for each worker and the system will calculate your taxable wages automatically.)

The following example illustrates how excess wages are calculated and reported. Assume these wages are paid:

GROSS WAGES

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Employee A	\$10,400	\$10,400	\$11,500	\$12,000
Employee B	6,000	6,000	6,000	6,000
Employee C	<u> </u>	<u>3,000</u>	<u>6,000</u>	<u>3,000</u>
	\$16,400	\$19,400	\$23,500	\$21,000

1st Quarter Excess Wages Would Be:

Employee A	(\$10,400-\$8,000)	=	\$2,400 in excess
Employee B	no excess		0
Employee C	not employed		<u>0</u>
	Total		\$2,400

Your quarterly report should look like this:

2. GROSS WAGES	<u>\$16,400</u>
3. EXCESS WAGES	<u>\$ -2,400</u>
4. TAXABLE WAGES	\$14,000

2nd Quarter Excess Wages Would Be:

Employee A	all excess	=	\$10,400 in excess
Employee B	(\$6,000+\$6,000=\$ 12,000-\$8,000)	=	\$ 4,000 in excess
Employee C	no excess		<u>0</u>
	Total		\$14,400

Your quarterly report should look like this:

2. GROSS WAGES	<u>\$ 19,400</u>
3. EXCESS WAGES	<u>\$ -14,400</u>
4. TAXABLE WAGES	\$ 5,000

3rd Quarter Excess Wages Would Be:

Employee A	all excess	=	\$11,500 in excess
Employee B	all excess	=	\$ 6,000 in excess
Employee C	(\$3,000+\$6,000=\$9,000-\$8,000)	=	<u>\$ 1,000 in excess</u>
	Total		\$18,500

Your quarterly report should look like this:

2. GROSS WAGES
3. EXCESS WAGES
4. TAXABLE WAGES

\$ 23,500
\$ -18,500
\$ 5,000

4th Quarter:

All wages are in excess and no tax is owed, but it is still necessary to file the report to report wages.

Your quarterly report should look like this:

2. GROSS WAGES
3. EXCESS WAGES
4. TAXABLE WAGES

\$ 21,000
\$ -21,000
\$ 0.000

If you have an employee who has worked for you in more than one state, wages earned in the other state(s) ARE considered in the calculation of excess wages.

PAY CAREFUL ATTENTION TO EXCESS WAGES. Errors in calculating excess wages is the most common reason employers overpay their unemployment taxes.

WHEN IS MY UNEMPLOYMENT REPORT AND PAYMENT DUE?

Reports are due on the last day of the month following the end of each quarter. If that day falls on a weekend or a holiday when state offices are closed, the due date is moved forward to the next day that offices are open. To be considered timely, we must **receive** your report within five days after the due date. meter as proof timeliness.

A first-time filer is required to file reports for all quarters since the subjectivity date.

WHAT HAPPENS IF I AM LATE REPORTING OR PAYING MY TAX?

The division assesses INTEREST on any tax the employer has not paid by the due date, at the rate of one and one-half (1 1/2) percent per month or any portion of a month.

The division can assess interest for up to five years from the due date. At one and one-half percent per month for 60 months, that means the division can charge up to 90 percent on late payments.

The division assesses a PENALTY if an employer fails to file the report when it is due, **whether any tax is due or not**. If you file a report within 30 days after the due date, you will be assessed a penalty of \$25.00; if you file more than 30 days late, you will be assessed a penalty of \$75.00. If you are late in filing more than once during the same calendar year, you will also be charged an additional penalty of \$100.00 for each additional report which is late. The total penalty chargeable for a year if all reports are late is \$600.00.

Regardless of the size of the business or the amount of tax due, the division assesses penalties on all employers who file their reports late. Avoid penalties by filing on time, even if you cannot make the tax payment by the due date.

WHAT HAPPENS IF I DO NOT PAY MY UNEMPLOYMENT TAX?

As explained above, you are liable for interest and penalties if you do not file reports and pay your tax by the required due dates. You will be notified in writing of any amount assessed against you, and you may be contacted by a field auditor who will attempt to collect the amount due.

Your unemployment tax and any related penalty or interest is a legal obligation imposed upon you as an employer. There is no authority in the law to reduce, compromise or eliminate any portion of this obligation, and the division will make every effort to collect it. However, we recognize that you may encounter financial difficulties which may delay your ability to pay your taxes. Partial payment plans which allow you to pay your delinquent balance in installments may be arranged in some cases. However, you will continue to incur interest charges on the unpaid balance.

If you refuse to pay the tax, interest and penalties assessed by the division, we will proceed with legal action in an effort to recover the amount due. Several methods are used to collect taxes that are due, including:

1. Filing a tax lien on your real and personal property.
2. Issuing a temporary injunction on the operation of your business.
3. Initiating civil action for payment.
4. Placing a levy on assets, including bank accounts, wages and accounts receivable.
5. Attaching and causing the sale of real property.

DO I HAVE TO FILE A REPORT IF I HAVE NO PAYROLL OR OWE NO TAX?

Yes, once you are liable you must file a report unless you have previously requested that the division inactivate your account because you no longer have a payroll to report.

You must also file a report even if all of the wages are excess and no tax is due, because the division may need the wage information to process benefit claims.

IF I DON'T REPORT ONLINE DO I HAVE TO USE FORM UI-3 TO REPORT MY EMPLOYEES' WAGES, OR ARE OTHER WAGE LISTINGS ACCEPTABLE?

An employer may use separate wage reports if this is more convenient than filling out the individual wage report portion of the form.

Except for reports filed electronically, **the employer must submit a form UI-3** regardless of the method he uses to report wages. The preprinted data on the form allows the division to correctly identify and process the report.

On the **wage reports** the employer must include each employee's NAME, SOCIAL SECURITY NUMBER, and GROSS QUARTERLY WAGES. If you submit a wage listing containing any other information,, you must clearly label or indicate the gross wages that agree with the total listed on line 1 of the UI-3.

WHY DOES THE DIVISION NEED EMPLOYEE WAGE INFORMATION?

The division maintains wage records for over one million Kentucky workers to use in calculating benefit entitlements for those who become unemployed. (See the “Benefits” section for more information on this process.)

WHY DOES THE DIVISION NEED THE NUMBER OF EMPLOYEES, AND HOW DO I REPORT THIS?

The division keeps track of the total number of Kentucky workers covered by unemployment insurance as part of the labor statistics used to determine the state of the economy. You must report each quarter in the space provided on the UI-3 or on the web site. You must enter the number of employees you had on your payroll on the 12th of the month for each of the three months of the quarter.

If you do not complete this portion of the form, our Research and Statistic Branch will mail you a follow-up request. If you have employees in more than one county, you will also be asked to complete a supplemental report listing the total workers by county.

HOW DO I REPORT CORRECTIONS OR ADDITIONS IF I MAKE AN ERROR IN REPORTING?

The division audits all reports and ordinarily detects and math errors on your report. If the division detects an error in a previous report you have filed, the underpayment or overpayment will be preprinted on your UI-3 report on line 8.


If you discover an error in your individual wage reports, DO NOT attempt to correct it on the current quarter wage listing. (Although the net amount of wages might be correct that way, for benefit purposes we must have the correct wages by quarter.) Instead, submit a separate explanation of the adjustment, listing the individual workers that you are correcting or adding (name, social security number and wages added or changed), and the change this makes in the gross, excess and taxable wages for the quarter. If the change results in additional tax due, you must also calculate the interest due on the additional amount from the original due date of the report you are correcting up to the date that payment is made, at the rate of 1 1/2 percent per month (or fraction of a month).

Report errors in excess wages the same way and indicate the employees whose wages were improperly calculated even if individual gross wages were reported correctly.

Make the corrections as soon as you discover the error, particularly if additional tax is due. This will reduce the amount of interest charged. Notify the Tax Status and Accounting Branch in writing of the correction using the address in the front of this guide. If you are making the adjustment at the same time you are submitting a UI-3, include the adjustment amount on line 8 of the report, and include the adjustment amount in your tax calculation as instructed on the report.

HOW DO I REPORT CHANGE OF ADDRESS, BUSINESS NAME, OR OWNERSHIP?

Your UI-3 quarterly report contains a form you may use to report most types of changes.

ACCOUNT STATUS INFORMATION		
KEN	Name	<input type="checkbox"/> Change of business name
<input type="checkbox"/> Request for cancellation (date business closed) _____		Name change only
<input type="checkbox"/> Request for inactive status (date of last employment) _____		<input type="checkbox"/> Change in ownership - Complete Form UI-21, Report of Change in Ownership or Discontinuance of Business in Whole or Part, which will be mailed to you upon receipt of this form. Form UI-21 may also be obtained by Fax from Fax-on-Demand at (502) 564-4459 or Tax Status and Accounting at (502) 564-2272.
<input type="checkbox"/> Change location address to: _____		Types of Ownership Changes Requiring Form UI-21:
Street _____		Individual to Partnership Partnership to Corporation Corporation to Corporation
City _____ State _____ ZIP code _____		Individual to Corporation Partnership to Partnership Corporation to LLC or LLP
<input type="checkbox"/> Change mailing address to: _____		Individual to Individual Partnership to Individual Corporation to Partnership
Street _____		Individual to LLC or LLP Partnership to LLC or LLP Corporation to Individual
City _____ State _____ ZIP code _____		The statements indicated are hereby certified to be correct to the best knowledge and belief of the undersigned who is duly authorized to sign this report.
		 Signature _____ Date _____

Submit this form along with your UI-3.

Please do not use the UI-3 form itself to report changes of name or address, since this will delay processing of your report and payment.

You may report changes at other times by contacting the Tax Status and Accounting Branch.

You may submit a change of address via the web site at <https://kewes.ky.gov>.

RESERVE ACCOUNTS AND TAX RATES

WHAT DO YOU DO WITH THE MONEY I PAY IN UNEMPLOYMENT TAX?

The division deposits all unemployment tax payments made by Kentucky employers in an UNEMPLOYMENT TRUST FUND maintained in the U.S. Treasury in Washington, where they earn interest. By federal and state law, this money can be used only to pay benefits to unemployed Kentucky workers.

Although the division deposits all tax payments the trust fund, and all benefits are paid out of that fund, the division keeps track of the individual tax payments of each employer. Most benefits paid are also charged to individual employers, usually the most recent employer for whom the claimant worked (see the “Benefits” chapter for more information). Your RESERVE ACCOUNT is an accounting record of your payments and charges, which is maintained for the purpose of calculating your EXPERIENCE RATING.

HOW IS MY TAX RATE ASSIGNED?

The division assigns new employers (other than contract construction) a beginning rate of **2.70%**. New contract construction employers are assigned the maximum rate under the rate schedule in effect that year (see “What Will My Tax Rate Be If I Start a Construction Business” for more details). After that, the division will calculate a rate for your account each year.

All unemployment insurance programs are “experience rated,” which means that the amount of tax an employer pays is directly related to his experience in the program. By “experience” we mean the amount of tax an employer has paid into his reserve account, and the amount of benefits charged against that account. In Kentucky, the system used for assigning tax rates is called the RESERVE RATIO method.

Once an employer begins to pay tax (and possibly be charged benefits), the division keeps track of the balance in his reserve account. Once each year, the balance in each reserve account is recorded for the purpose of calculating tax rates for the coming year. This takes place as of the COMPUTATION DATE, October 31st. The RESERVE ACCOUNT BALANCE is the net total of all taxes paid minus all benefits charged to an account since it was established. The balance may be positive or negative (deficit), depending upon whether tax payments have exceeded benefit charges or vice versa.

Delinquent tax payments cannot be included in the rate computation if paid after the computation date. This may cause your tax rate to be higher than it would have been if all taxes had been paid on time.

Tax rates are not based solely on the balance in a reserve account, since this would mean that larger or high-wage employers would have an advantage over smaller or lower-wage employers. Instead, a RESERVE RATIO is computed, which compares the size of the reserve balance to the size of the business and payroll. The reserve ratio is the percentage obtained by dividing the reserve account balance by the total amount of taxable wages reported by the employer during the 12 calendar quarters preceding the computation date. (This is referred to as the THREE-YEAR TAXABLE PAYROLL.)

The final step in calculating your tax rate is to find your reserve ratio in the RATE SCHEDULE (see next page):

Rate Schedule

Reserve Ratio	Trust Fund Adequacy	A	B	C	D	E
8.0% and over	0.000%	0.30%	0.40%	0.50%	0.60%	1.00%
7.0% but under 8.0%	0.000%	0.40%	0.50%	0.60%	0.80%	1.05%
6.0% but under 7.0%	0.008%	0.50%	0.60%	0.70%	0.90%	1.10%
5.0% but under 6.0%	0.208%	0.70%	0.80%	1.00%	1.20%	1.40%
4.6% but under 5.0%	0.508%	1.00%	1.20%	1.40%	1.60%	1.80%
4.2% but under 4.6%	0.808%	1.30%	1.50%	1.80%	2.10%	2.30%
3.9% but under 4.2%	1.008%	1.50%	1.70%	2.20%	2.40%	2.70%
3.6% but under 3.9%	1.308%	1.80%	1.80%	2.40%	2.60%	3.00%
3.2% but under 3.6%	1.508%	2.00%	2.10%	2.50%	2.70%	3.10%
2.7% but under 3.2%	1.608%	2.10%	2.30%	2.60%	2.80%	3.20%
2.0% but under 2.7%	1.708%	2.20%	2.50%	2.70%	2.90%	3.30%
1.3% but under 2.0%	1.808%	2.30%	2.60%	2.80%	3.00%	3.40%
0.0% but under 1.3%	1.908%	2.40%	2.70%	2.90%	3.10%	3.50%
-0.5% but under -0.0%	6.500%	6.50%	6.75%	7.00%	7.25%	7.50%
-1.0% but under -0.5%	6.750%	6.75%	7.00%	7.25%	7.50%	7.75%
-1.5% but under -1.0%	7.000%	7.00%	7.25%	7.50%	7.75%	8.00%
-2.0% but under -1.5%	7.250%	7.25%	7.50%	7.75%	8.00%	8.25%
-3.0% but under -2.0%	7.500%	7.50%	7.75%	8.00%	8.25%	8.50%
-4.0% but under -3.0%	7.750%	7.75%	8.00%	8.25%	8.50%	8.75%
-6.0% but under -4.0%	8.250%	8.25%	8.50%	8.75%	9.00%	9.25%
-8.0% but under -6.0%	8.500%	8.50%	8.75%	9.00%	9.25%	9.50%
Less than -8.0%	9.000%	9.00%	9.25%	9.50%	9.75%	10.00%

Looking at the rate schedule, you will notice that there are six different columns of rates corresponding to the reserve ratio brackets in the first column on the left, with the “Trust Fund Adequacy” rates being the lowest and schedule “E” being the highest. The rate schedule in effect in any given year is based on the balance in Kentucky’s Unemployment Trust Fund at the end of the preceding calendar year. (For example, if the Trust Fund has a balance of at least \$275 million on December 31st, but less than \$350 million, then rate schedule “B” would be in effect for the following calendar year.) This means that high unemployment costs, which reduce the fund balance, may cause tax rates to increase even for businesses that did not directly experience benefit charges.

The example on the next page illustrates the rate computation process for a typical business. Remember, the computation date is October 31 of the year preceding the year for which a rate is being computed.

There are other factors that can affect your tax rate:

If you have been SUBJECT LESS THAN 12 CALENDAR QUARTERS as of the computation date, your rate, by law, cannot be less than 2.7%. This means you must have been subject no later than the end of the fourth year preceding the year for which the rate is being assigned in order to be eligible for a reduced rate (for example, subject in 2004 to receive a reduced rate for 2008). Your rate can be *higher* than 2.7% after your first year of subjectivity if the ratio indicates.

If you failed to file any report for the twelve quarters preceding the computation date, the division cannot accurately calculate a rate for your account, and by default we will assign the highest positive or negative balance rate from the schedule in effect for that year. If you file the missing report(s) within twenty days of receiving your annual rate notice, we will recalculate your tax rate using the taxable wages from the missing report(s). As stated previously, we cannot use the delinquent tax payments in the calculation.

If you are, or become, a SUCCESSOR employer by acquiring all or part of an existing business that is already covered by unemployment insurance, your rate calculation will include the experience of your predecessor. See the “Successorship” section of this guide for more details.

Reserve Ratio and Rate Computation

Beginning Reserve Balance (balance as of the preceding computation) **\$41,908.03**

Benefits charged to the account through September 30, for the four quarters immediately preceding the computation date:

4 th quarter	\$1,572.18	
1 st quarter	1,333.15	
2 nd quarter	298.00	
3 rd quarter	-0.00	
<hr/>		
Total	\$3,203.33	-\$3,203.33

Contributions credited to the account during the four quarters immediately preceding the computation date:

4 th quarter	\$ 868.68	
1 st quarter	2,414.81	
2 nd quarter	2,732.73	
3 rd quarter	2,007.13	
<hr/>		
Total	\$8,023.35	+\$8,023.35

Ending Reserve Balance as of October 31 **\$46,728.05**

Three Year Taxable Payroll (the total of taxable wages paid during the preceding three fiscal years, that is, the 1st through the 3rd quarters of the year preceding that for which a rate is being computed, all four quarters of the second & third preceding years, and the 4th quarter of the fourth preceding year):

4 th quarter	\$60,221.76	
1 st quarter	77,856.04	
2 nd quarter	78,770.25	
3 rd quarter	97,150.25	
4 th quarter	61,217.88	
1 st quarter	90,526.56	
2 nd quarter	108,331.30	
3 rd quarter	70,947.42	
4 th quarter	62,048.47	
1 st quarter	96,592.53	
2 nd quarter	109,311.41	
3 rd quarter	80,285.24	
<hr/>		
Total	\$993,259.11	\$993,259.11

$$\frac{\text{Reserve Balance}}{\$46,728.05} \div \frac{\text{3 year Taxable Payroll}}{\$993,259.11} = \frac{\text{Reserve Ratio}}{004.704}$$

Using Schedule C for example, the corresponding rate would be **1.40%**.

[illegible]

IF MORE IS PAID OUT IN BENEFITS THAN I HAVE PAID IN, DO I HAVE TO PAY THE DIFFERENCE?

You do not have to pay the difference directly, however, you may want to because a deficit balance in your employer reserve account will cause your tax rate to increase. See the section on “Voluntary Contribution” below.

WHAT WILL MY TAX RATE BE IF I START A CONSTRUCTION BUSINESS?

The division assigns a new employer who is determined to be in the contract construction business the MAXIMUM TAX RATE in effect for the year in which he becomes liable, ranging from 9.0% to 10.0%. If you are a new construction employer, you will not be eligible for an experience rating less than the maximum rate until you have employed workers in Kentucky for at least 12 CONSECUTIVE CALENDAR QUARTERS preceding the computation date. (Your rate may go up or down during this period if the tax rate schedule in effect changes from year to year.) Once you have met the requirement, your rate for the following year will be based on your reserve ratio as described on previous pages.

The law pertaining to contract construction tax rates was enacted as the request of the construction industry in order to prevent new companies from receiving a lower rate than the average for the industry.

WHAT IS A “VOLUNTARY CONTRIBUTION”?

In addition to the unemployment tax that you are required to pay, you may make additional payments into your reserve account to reduce a deficit balance or to increase a positive balance. Since tax rates are based on reserve account balance, changing your balance can lower your next year’s tax rate. Sometimes a relatively small voluntary payment will lower your tax rate and allow you to save a larger amount of money in the coming year.

Paying off a deficit balance is the most common form of voluntary contribution, since this will result in the greatest reduction in tax rate, and therefore, the greatest tax savings. However, even positive balance employers may be able to save money by making voluntary payments.

HOW DO I MAKE A VOLUNTARY CONTRIBUTION?

Voluntary contributions are usually made at the time that annual notices of new year rates are issued. Your “Notice of Contribution Rate” contains instructions for determining whether a voluntary payment will reduce your tax rate for the new year. If it would, you may make a payment within 20 days from the mailing date of the notice, and it will be credited to your account as of the preceding computation date and used to recalculate your current year rate. Make a copy of the rate notice, complete the voluntary contribution portion to indicate the amount of your payment and the intended new rate, and send it to the Tax Status and Accounting Branch at the address on the notice. Include a **check made payable to the “Treasurer, Kentucky Unemployment Insurance Fund.”** The check should be labeled as a “voluntary contribution” and must include your reserve account number (KEIN). The Tax Status and Accounting Branch will verify your payment to make sure it will reduce your rate as desired; if not, it will be returned to you.

You will not be allowed to make a voluntary contribution if you owe the division any tax, interest or penalty. You may pay off your delinquency and make a voluntary contribution at the same time, but only the amount of your voluntary payment over the amount of your delinquency will be used in recalculating your rate.

Construction employers who are subject to the maximum tax rate may make voluntary contributions to pay off a deficit balance. However, this will not effect your tax rate unless you have satisfied the minimum length of employment described in the construction rates section.

Employers may make voluntary contributions at any time of the year by sending a check made out as previously described to the Unemployment Tax Status and Accounting Branch, P.O. Box 948, Frankfort, KY 40602. It should be accompanied by a brief explanatory letter. However, voluntary payments made at any time other than the 20 days after the issuance of rate notices will not effect your current year rate. They will be used in calculating your following year rate if made by the computation date (October 31).

HOW DO I FIGURE A VOLUNTARY CONTRIBUTION, AND HOW CAN I TELL IF IT WILL SAVE ME MONEY?

You may first want to review the section on how rates are computed, since this will make it easier to understand how voluntary contributions are calculated.

Remember that rates are assigned based on your RESERVE RATIO, which is the percentage your reserve balance is of your three-year taxable payroll. In order to change your tax rate, you have to change that percentage.

For example, assume your three-year taxable payroll totals \$100,000.00 and your reserve balance totals \$3,590.00. Your reserve ratio would be:

$$\$3,590.00 \div \$100,000.00 = 3.590\%$$

Next, refer to the rate schedule in effect. For this example, assume it is Schedule C. The rate assigned for a 3.590% reserve ratio on this schedule would be 2.50%.

The next lower rate on this schedule is 2.40%. To reduce your rate to this, your reserve ratio would need to be at least 3.6%, the minimum ratio for this bracket.

Multiply your taxable payroll total by the minimum reserve ratio you need to achieve:

$$3.6\% \times \$100,000.00 = \$3,600.00$$

This is the minimum reserve balance you would need to reduce your rate by one bracket. Subtract your existing balance from the required balance to determine your voluntary contribution:

$$\$3,600.00 - \$3,590.00 = \$10.00$$

We recommend you add ONE CENT to this amount, to ensure that any rounding of percentages will be to your advantage. Your voluntary contribution to reduce your rate from 2.50% to 2.40% would therefore be **\$10.01**.

Next, to see whether this will save you money, divide your voluntary contribution by the difference in the tax rate you would achieve. In this example you would reduce your rate by 0.1% (2.50% - 2.40%), therefore:

$$\$10.01 \div 0.1\% = \$10,010.00$$

If you expect that your taxable payroll for the coming year will exceed this amount, you will save money if you make a voluntary contribution. In this example, this is likely since the average taxable wages for the past three years have exceeded \$33,000.00. For the sake of illustration, assume that the taxable wages will continue at this level for another year. See the difference a voluntary contribution will make in total payments for the year:

$$\$33,000.00 \times 2.50\% = \$825.00, \text{ versus}$$

$$\$33,000.00 \times 2.40\% = \$792.00$$

+ \$ 10.01 Voluntary Contribution

\$802.01 Total Payments

$$\text{NET SAVINGS} = \$22.99$$

If a small voluntary contribution results in a large potential savings, you may want to calculate the voluntary contribution required for the next lower bracket.

The division will be happy to assist you in calculating a voluntary payment and estimating whether it will save you money. However, you must estimate your taxable payroll for the year ahead. If you overestimate, this may reduce or eliminate your savings. In such a case, your voluntary payment CANNOT be refunded.

Remember, the greatest savings can be realized by paying off a DEFICIT BALANCE, since this results in the greatest reduction in rate.

SUCCESSORSHIP

WHAT HAPPENS IF I BUY (OR SELL) A BUSINESS?

Ordinarily, if a liable business changes ownership, the reserve account assigned to the business is transferred to the new owner. This process is referred to as SUCCESSIONSHIP. A successor employer inherits the reserve account balance from the previous owner (the “predecessor”), whether positive or negative, and thus the successor’s tax rate is affected by the predecessor’s experience rating. The successor may also inherit liability for delinquent tax reports and unpaid tax and interest.

If the tests described below apply, successorship is not voluntary for either the predecessor or the successor. An employer who transfers all of his business will lose his reserve account and cease to be a liable employer. He cannot retain his reserve balance, nor can we refund it to him. This applies even in cases where the previous owner is a corporation, and the corporation itself is not sold.

HOW IS SUCCESSIONSHIP DETERMINED?

If a business is sold or otherwise transferred in whole or part and there is substantially common ownership, management or control of the business before and after the transfer (that is, one or more individual or individuals owns or exercises pervasive management of the business before and after the transfer), then by law the acquiring employer is a successor to the original owner's employer reserve account.

If a business is transferred and the ownership is not common, for successorship to apply to a business transfer, both the previous and the new owners must have been involved in **negotiations** to bring about the transfer. These negotiations need not be direct and a third party may be involved. Also for successorship to apply, at least two of the following five conditions must exist:

- A. The business was a going concern at the time that negotiations to transfer began.
- B. The new owner continued to operate (or resumed) basically the same type of business in the same location as the previous owner.
- C. At least half of the employees of the previous business continued to work for the new owner.
- D. At least half of the new owner’s employees worked for the previous owner.
- E. The new owner acquired work contracts or commitments from the previous owner.

NOTE: If only the conditions in C & D are met, successorship will **not** apply.

WHAT IF I ONLY BUY (OR SELL) PART OF A BUSINESS?

SUCCESSORSHIP IN PART occurs when only a portion of the total business owned or operated by the predecessor is transferred. The same rules described above apply in determining whether successorship has occurred. If so, a further determination must be made as to whether and how much of the reserve account of the predecessor is to be divided with the successor.

In cases of partial transfer, reserve accounts are divided on a percentage basis. This percentage is subject to the approval of the division, and must reflect the approximate percentage of the business operation transferred. This must be based on percentage of payroll or number of employees transferred. Contact the Tax Status and Accounting Branch or a tax auditor through your nearest local office if you require assistance. The percentage proposed to the division must be accompanied by sufficient explanation for us to determine whether it reasonably reflects the business transfer.

If the parties to the transfer cannot agree on a percentage to transfer, or the division cannot approve the proposed percentage, a percentage will be determined by the division based on the percentage of the gross payroll reported by the previous owner which is attributable to employees transferred to the new owner.

When a reserve account is transferred in part, and the previous owner continues to operate the remainder of his business, a new reserve account number (KEIN) is assigned for the retained business. This is necessary for accounting purposes in order to keep track of the amount of tax paid and benefits charged before and after the transfer. If the transfer takes place within a calendar quarter, separate reports will be required for the periods before and after the date of transfer and filed under the previous and new account numbers, respectively.

WHAT EFFECT DOES SUCCESSORSHIP HAVE ON MY TAX RATE?

An employer who becomes liable as a result of acquiring all or part of an existing business will receive the tax rate already assigned to the business for the year in which the transfer takes place. This rate may be higher or lower than the normal new employer rate (2.7%), based on the balance of the reserve account acquired. Note that this includes partial transfers in which no portion of the predecessor reserve account is transferred to the successor.

After the first year, your rate will be based on a combination of your predecessor's reserve and taxable payroll, and your own payroll, tax payments and benefit charges. You may also be charged with benefits paid to former employees of your predecessor for two years or more after the date of transfer. Your predecessor's experience will count toward the minimum twelve quarters of subjectivity required to receive a reduced tax rate. However, if your predecessor was delinquent in filing any reports during the twelve quarters preceding the computation date, this will result in a higher default rate. If this occurs, contact the Tax Status and Accounting Branch and we will assist you in estimating and filing the missing reports, based upon whatever information you may have acquired from your predecessor.

Your annual "Notice of Contribution Rate" will indicate both your own and your predecessor's payroll, tax and benefit information. The rate computation process is the same as that described in the rate section of this guide.

If you are a successor to part of a reserve, the amount of predecessor payroll, tax and benefits used in determining your rate will be based on the percentage of reserve transferred. If you did not receive any portion of the predecessor's reserve, the transfer will not affect your rate after the first year.

If you are already liable and then acquire all or part of an existing business *that did not have common ownership*, the transfer will have no effect on your assigned rate for the year in which the transfer occurs. For following years, your rate will be computed by combining your payroll and reserve totals with those of your predecessor. In the case of an acquisition of all or part of a commonly owned or controlled accounts, your rate for the remainder of the year will be recalculated as of the first quarter following the date of the transfer using the combined experience of the predecessor and successor accounts. In either case, the division will provide you with this information on your annual "Notice of Contribution Rate."

IS A SUCCESSOR EMPLOYER ENTITLED TO CLAIM WAGES PAID BY THE PREDECESSOR PRIOR TO THE TRANSFER IN CALCULATING EXCESS WAGES?

Yes. If you are a successor (even if no reserve is transferred), you may take credit for the wages paid to your employees by your predecessor prior to the date of transfer in determining the excess wages for those employees.

WHAT ARE MY LIABILITIES AS A SUCCESSOR EMPLOYER?

In addition to the potential for predecessor benefit charges described above, you may also be held liable for unpaid tax, and interest owed by your predecessor, but only if the division notifies you of the predecessor debt within six months after we first *learn about* the transfer. That is not the same as six months from the transfer, because we frequently do not learn about transfers until some time after they occurred.

The division will make every reasonable effort to collect the delinquent tax and interest from your predecessor. However, if we are unable to make a full collection, you will be liable. This is considered a legal debt of the business you acquired and is not affected by any contract you may have with the predecessor holding you free of debt.

A successor to part of a business can only be held responsible for a percentage of the predecessor debt, based upon the percentage of reserve acquired.

REIMBURSING EMPLOYERS

WHAT ARE REIMBURSING ACCOUNTS, AND WHO IS ELIGIBLE?

Governmental employers and **501(c)(3) nonprofit organizations** are eligible to report as REIMBURSING accounts. Reimbursing employers do not pay quarterly unemployment tax. Instead, they reimburse the division for the cost of any benefits which are chargeable to them. Reimbursing employers must still file quarterly reports for wage information purposes.

Upon becoming liable, an eligible employer may choose to either reimburse or to become a taxpaying account. If the reimbursement option is chosen, you must remain in this status for at least two calendar years. If the taxpaying option is selected, you may switch to the reimbursement method after one calendar year. To change options, you must advise the division in writing no later than December 1, prior to the start of the year for which you want the new option to be effective.

There are both advantages and disadvantages to the reimbursement method. Although it can save money for organizations with stable employment, it can also result in large and unexpected benefit costs. Reimbursing employers also have fewer rights to relief from benefit charges than do taxpayers. Eligible employers are encouraged to contact the Tax Status and Accounting Branch to discuss the reimbursement option prior to making any decision.

FEDERAL UNEMPLOYMENT TAX ACT (FUTA)

NOTE: The Internal Revenue Service collects federal unemployment tax , and questions concerning federal tax reporting and payment should be addressed to your nearest IRS office. What follows is a brief discussion of some basic information.

WHAT IS FEDERAL UNEMPLOYMENT TAX?

In addition to your state unemployment tax, federal law requires that you pay Federal Unemployment Tax (FUT). The liability requirements are basically the same as for state coverage; however, non-profit and governmental employers are exempt from federal coverage. Federal unemployment taxes are used primarily for two purposes: paying for the cost of administering the UI program by the state and the federal governments; and paying for federal benefits programs, such as the federal share of extended benefits.

FUT is payable on the first \$7,000.00 you pay each worker annually. The tax rate is 6.2%; however, as explained below, you are allowed up to a 5.4% offset credit for state tax payments on the same wages. Therefore, the normal net tax rate is 0.8%.

HOW DOES PAYING MY STATE UNEMPLOYMENT TAX AFFECT MY FEDERAL TAX?

You are allowed to claim a credit reducing your federal unemployment tax rate if you paid state unemployment tax on the same wages. If you made the state tax payments on time, you may claim the maximum allowable offset credit of 5.4%. This credit applies even if you paid state tax at a rate lower than 5.4%. However, you cannot claim more than this rate if your state tax rate was higher.

Each year the division certifies to the IRS all tax payments made by Kentucky employers. If you are notified by the IRS that your federal tax credit claimed does not agree with the amount certified, contact the Tax Status and Accounting Branch at the number listed on the front inside cover, and we will assist you in verifying the proper credit.

CAN I CLAIM A CREDIT AGAINST STATE UNEMPLOYMENT TAX FOR THE FEDERAL UNEMPLOYMENT TAX THAT I PAY?

No. You can only claim credit on your federal rate for state payments.

CLOSING AND TERMINATING ACCOUNTS

WHAT HAPPENS TO MY RESERVE ACCOUNT IF I CLOSE MY BUSINESS?

If you close your business, contact the Tax Status and Accounting Branch and we will send you the necessary form to place your account in inactive status. (You can also notify us by completing the business change questionnaire portion of your quarterly report package.)

As an inactive employer you will not be required to file quarterly reports after the quarter in which you last had employment. However, you will remain liable under the unemployment insurance law for any future employment you have, regardless of the size or duration of your future payroll.

Once you have had at least one complete calendar year with no employment or with employment that does not meet the liability requirements, you will be eligible to terminate your account as described below.

WILL THE BALANCE IN MY RESERVE ACCOUNT BE REFUNDED TO ME WHEN I CLOSE MY BUSINESS?

No. All tax is paid into the Kentucky Unemployment Trust Fund and can only be used to pay benefits. Your reserve account balance total is used solely to calculate tax rate. It cannot be refunded.

WILL I HAVE TO PAY OFF ANY DEFICIT BALANCE IN MY ACCOUNT WHEN I CLOSE MY BUSINESS?

No. However, if you resume employment in the future and have not terminated your reserve account as described below, your future rate will be based on your deficit balance.

CAN I DRAW BENEFITS IF I CLOSE MY BUSINESS?

If you are a proprietor or partner you are not eligible to draw unemployment insurance.. Unemployment insurance coverage only applies to employees, not to the owners of businesses.

If your business was incorporated and you drew a salary, you may be able to draw benefits if it is determined that you are unemployed through no fault of your own, just as is true for any other claimant.

DO I HAVE TO FILE REPORTS IF I NO LONGER HAVE EMPLOYEES?

If you have ceased to have employees but are continuing to operate your business, you may contact the Tax Status and Accounting Branch and request to have your account placed in inactive status. The same conditions apply as for closing your business, which is described at the top of this page.

NOTE: If you continue to operate your business using workers obtained from a temporary service or contract labor, you may be determined liable for reporting these workers as your employees. See the "Liability" section for more information.

WHAT IS “TERMINATION OF A RESERVE ACCOUNT,” AND HOW DO I APPLY TO HAVE MY ACCOUNT TERMINATED?

TERMINATION of a reserve account means that the employer to whom the account is assigned has ceased to be liable under the unemployment insurance law. If your account is terminated, you will have to meet the liability requirements again to be liable for any further payroll reporting or tax payments.

You are eligible to terminate your reserve account if you had no employment for at least one full calendar year, or if your payroll during a full calendar year was less than the liability requirements (see page 1 of this guide). Note that you may terminate your account even if you have employment, as long as the employment is below the liability limits.

You must request termination IN WRITING no later than April 15 of the year in which it is to be effective. Write to the Employer Status Section, Unemployment Tax Status and Accounting Branch, at the address listed on the front inside cover.

You should consider whether termination of your account would be advantageous, which will depend on your reserve account balance and whether you ever expect to resume employment in the future. Any balance in a reserve account at the time it is terminated will be transferred to the POOLED ACCOUNT, which is used to pay benefits which are not chargeable to any individual employer reserve account.

If you have a positive reserve balance and anticipate resuming employment, it may be advantageous to retain your account since the balance you have built up in the account may entitle you to a lower tax rate than the entry rate for a new employer.

However, if you have a deficit (negative) balance, terminating your account will eliminate the deficit. If you resume employment, you will begin at a new employer rate.

The division may also terminate an account if at least three years have passed with no employment reported. The division will do this only after sending written notice of our “intent to terminate” to the last known address of the employer. If you receive such a notice and do not wish to have your account terminated, you must reply in writing to retain the account.

IF I CLOSE OR TERMINATE MY RESERVE ACCOUNT. WILL I STILL BE LIABLE FOR ANY UNPAID TAX, INTEREST OR PENALTIES?

Yes.

UNEMPLOYMENT INSURANCE LOCAL OFFICE DIRECTORY

Please call your nearest local office whenever you need information or assistance with unemployment insurance matters. Offices with resident tax auditors are indicated by an asterisk (*).

OFFICE	TELEPHONE	FAX NUMBER	STREET ADDRESS
*Ashland	(606) 920-2003	(606) 920-2026	1844 Carter Avenue, 1 st Floor
Tax Auditor	(606) 920-2004	(606) 920-2026	1844 Carter Avenue, 1 st Floor
Bardstown	(502) 348-8662	(502) 349-6608	860 W. Stephen Foster Blvd.
*Bowling Green	(270) 746-7425	(270) 746-7825	803 Chestnut Street
Tax Auditor	(270) 746-7440	(270) 746-7825	803 Chestnut Street
*Cadiz (Tax Auditor ONLY)	(270) 522-3573	(270) 522-3047	38 Main Street
Campbellsville	(270) 789-1352	(270) 789-4082	1311 E. Broadway, Suite C
*Corbin	(606) 528-3421	(606) 523-5642	310 E. Center Street
Tax Auditor	(606) 528-8429	(606) 528-5317	310 Roy Kidd Avenue
*Covington	(859) 292-6670	(859) 292-6675	320 Garrard Street
Tax Auditor	(859) 292-6797	(859) 292-6795	636 Madison Avenue
*Danville	(859) 239-7003	(859) 239-7541	121 E. Broadway
Tax Auditor	(859) 239-7098	(859) 239-7541	121 E. Broadway
*Elizabethtown	(270) 766-5110	(270) 766-5112	916 N. Mulberry Street
Tax Auditor	(270) 766-5018	(270) 766-5154	916 N. Mulberry Street
*Florence	(859) 371-0808	(859) 371-5103	8020 Veterans Memorial Dr.
Tax Auditor	(859) 371-0808	(859) 371-1539	8202 Veterans Memorial Dr.
*Frankfort	(502) 564-7046	(502) 564-7794	1121 Louisville Rd, Suite 6
Tax Auditor	(502) 564-6835	(502) 564-5590	275 E. Main St., 2 nd Floor E.
*Georgetown	(502) 863-6088	(502) 863-1966	1000 W. Main Street, Suite 5
Tax Auditor	(502) 864-2402	(502) 863-1966	1000 W. Main Street, Suite 5
*Glasgow	(270) 651-2111	(270) 651-8916	445 N. Green Street
Tax Auditor	(270) 651-2121	(270) 651-8916	445 N. Green Street
*Harlan	(606) 573-3160	(606) 573-1066	124 S. Cumberland Avenue
Tax Auditor	(606) 573-9239	(606) 573-5903	124 S. Cumberland Avenue
*Hazard	(606) 435-6102	(606) 435-6039	742 High Street
Tax Auditor	(606) 435-6038	(606) 435-6039	742 High Street
*Henderson	(270) 826-5313	(270) 831-2717	212 N. Water Street
Tax Auditor	(270) 826-9393	(270) 831-2717	212 N. Water Street
*Hopkinsville	(270) 889-6516	(270) 889-6599	110 Riverfront Drive
Tax Auditor	(270) 889-6586	(270) 889-6599	110 Riverfront Drive
Jackson	(606) 666-4402	(606) 666-9533	355 Broadway/State Office Bldg
*Lexington	(859) 246-2013	(859) 246-2014	300 S. Upper Street
Tax Auditor	(859) 246-2287	(859) 246-2291	300 S. Upper Street
*Louisville (Suburban)	(502) 595-4187	(502) 595-4349	6201-G Preston Highway
Tax Auditor	(502) 964-9103	(502) 595-4349	6201-G Preston Highway
*Louisville (Metro)	(502) 595-3164	(502) 595-4859	600 W. Cedar Street
Tax Auditor	(502) 595-4892	(502) 595-4436	600 W. Cedar Street
*Madisonville	(270) 824-7516	(270) 824-7589	56 Federal Street
Tax Auditor	(270) 824-7079	(270) 824-7033	56 Federal Street
Mayfield	(270) 247-8125	(270) 247-8902	319 S. Seventh Street
Maysville	(606) 564-5513	(606) 564-3829	211 E. Third Street
Middlesboro	(606) 248-2792	(606) 248-8483	725 N. 19 th Street
*Morehead	(606) 784-6617	(606) 784-2631	126 Bradley Avenue
*Murray	(270) 753-0977	(270) 759-9761	1405 North 12 th St.
Tax Auditor	(270) 809-7092	(270) 809-7090	1405 North 12 th St.
*Owensboro	(270) 687-7275	(270) 687-7268	121 E. Second Street
Tax Auditor	(270) 687-7213	(270) 687-7080	121 E. Second Street
*Paducah	(270) 575-7030	(270) 575-7008	418 S. Sixth Street
Tax Auditor	(270) 575-7060	(270) 575-7008	418 S. Sixth Street

*Pikeville	(606) 433-7723	(606) 433-7698.....	138 College Street
Tax Auditor	(606) 433-7035	(606) 433-7698.....	138 College Street
*Prestonsburg.....	(606) 886-6837	(606) 886-6141	686 N. Lake Drive
Tax Auditor	(606) 889-1754	(606) 889-1775.....	686 N. Lake Drive
*Richmond (Tax Auditor ONLY).....	(859) 623-5252	(859) 624-1075.....	595 S. Keeneland Drive
*Somerset.....	(606) 677-4125	(606) 677-4119.....	410 E. Mt Vernon Street
Tax Auditor	(606) 677-4124	(606) 677-4119.....	410 E. Mt Vernon Street
*Whitesburg	(606) 633-3421	(606) 633-3156.....	65 B North Webb Street
Tax Auditor	(606) 633-3222	(606) 633-3156.....	65 B North Webb Street
Winchester	(859) 737-7765	(859) 737-7310.....	15 W. Lexington Avenue
Interstate.....	(502) 564-2384	(502) 564-5412.....	275 E. Main St., 2 nd Floor

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Equal Opportunity Employer/Program.
Auxiliary aids and services are available upon request to individuals with disabilities.

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